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COMMUNITY INDEPENDENT LIVING SYSTEMS, INC.**Baton Rouge, Louisiana****FINANCIAL STATEMENTS AND****ATTESTATION****June 30, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2.4.04

Curtis Michael Johnston
Certified Public Accountant

COMMUNITY INDEPENDENT LIVING SYSTEMS, INC.
Baton Rouge, Louisiana

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CURTIS MICHAEL JOHNSTON, C.P.A.

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To the Board of Directors
Community Independent Living Systems, Inc.(CILS)

I have compiled the accompanying balance sheet of CILS as of June 30, 2003, and the related statements of revenue, expenses, and changes in stockholders' equity, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, I have issued a report, dated December 23, on the results of our agreed-upon procedures.

Curtis Michael Johnston
December 23, 2003

COMMUNITY INDEPENDENT LIVING SYSTEMS, INC.

BALANCE SHEET

06/30/2003

ASSETS

CURRENT

Cash	\$131,384
Investments	475,050
Prepaid rent	13,025
Accounts receivable	77,058
Miscellaneous receivable	1,556

Total current assets \$698,073

LONG TERM ASSETS

Accounts receivable--other	\$33,577
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PROPERTY AND EQUIPMENT

Equipment	\$47,249
Vehicles	\$40,254
Less: Accumulated Depreciation	(38,556)
Total property & equipment	\$48,947

TOTAL ASSETS \$780,597

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts payable	\$7,850
Tax payable federal	6,523
Deferred income tax	3,121
State income tax payable	1,289
Total current liabilities	\$18,783

Long Term Liabilities

Deferred income tax	\$385
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Stockholders' Equity

Retained earnings	\$799,108
Accumulated other comprehensive income	(\$37,679)

Total Stockholders' Equity \$761,429

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$780,597

See accompanying notes and accountant's report

COMMUNITY INDEPENDENT LIVING SYSTEMS, INC.
STATEMENT OF REVENUE , EXPENSES, AND
FOR THE YEAR ENDED
JUNE 30, 2003

REVENUES

Client services	\$917,103	
Realized loss on sale of investments	(27,019)	
Dividends	2,177	
Other income	1,666	
Interest income	<u>3,864</u>	
TOTAL REVENUES		\$897,791

EXPENSES

Salaries and related benefits	\$443,450	
Professional services	9,938	
Transportation allowances	15,323	
Client clothing allowances	10,579	
Operating allowances	42,055	
Postage	1,582	
Office supplies	7,331	
Housing rentals	171,819	
Furniture rent	13,165	
Office equipment rent	8,441	
Infant needs	2,043	
Repairs	3,161	
Taxes	406	
Tips expenses foster care	3,730	
Damages to apartments	5,513	
Travel/meals	3,397	
Utilities	23,162	
Asset management fee	2,723	
Interest	222	
Loss on disposal	10,822	
Dues and subscriptions	1,037	
Conference and training	545	
Depreciation	3,915	
Expense accounts reimbursed OCS	5,678	
Miscellaneous	1,526	
Licenses and permits	387	
Payroll taxes	44,858	
Insurance	8,760	
Telephone	20,245	
TOTAL EXPENSES		<u>\$865,813</u>

NET INCOME (LOSS) BEFORE TAXES 31,978

Income tax expense 18,347

Net income \$13,631

OTHER COMPREHENSIVE INCOME

Unrealized gain on investments \$50,967

COMPREHENSIVE INCOME

STOCKHOLDERS' EQUITY

Beginning of year 696,831

STOCKHOLDERS' EQUITY AT END OF YEAR \$761,429

See accompanying notes and accountant's report

COMMUNITY INDEPENDENT LIVING SYSTEMS, INC.
STATEMENT OF CASH FLOWS
JULY 1, 2002-JUNE 30,2003

OPERATING ACTIVITIES

Net income	\$64,598
Adjustments to reconcile net income to net cash provided by operations:	
Accounts receivable	770
Accounts receivable-other	7,460
2000 Prepaid taxes	3,976
2001 Prepaid taxes	12,032
Deposit rent FC	(1,300)
Deposit utility FC	(550)
Due from/to employee	3,560
Legg Mason(Portfolio)	27,516
Legg Mason Value Trust	(3,584)
Prepaid rent	(481)
Stock valuation allowance VT	(31,363)
Stock value allowance (Portfolio)	(19,642)
Accounts payable	107
2001 Income tax payable	(41,426)
Deferred income tax payable	17,232
Fed W/H taxes payable	2,846
FICA taxes payable	(140)
FUTA payable	131
LA W/H taxes payable	1,886
Payroll liabilities	(283)
SUTA payable	2,179
Wages payable	(2,818)
Worker's comp payable	568
	<hr/>
Net cash provided by Operating Activities	\$43,274

INVESTING ACTIVITIES

Accumulated depreciation	(55,697)
Equipment	72,061
Vehicle accum. depreciation	2,354
Vehicle	(40,254)
	<hr/>
Net cash provided by Investing Activities	(\$21,536)
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Net cash increase for period	21,738
Cash at beginning of period	109,646
Cash at end of period	<u>\$131,384</u>

See accompanying notes and accountant's report.

COMMUNITY INDEPENDENT LIVING SYSTEMS, INC.

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

COMMUNITY INDEPENDENT LIVING SYSTEMS, INC. is a human service provider corporation. The company provides case management, independent living skills and counseling to individuals in the community including, but not limited to the following:

- develop job skills,
- develop personal and work adjustment,
- provide, develop and promote employment opportunity
- promote independent learning skills

B. Basis of Accounting

The accompanying financial statements of COMMUNITY INDEPENDENT LIVING SYSTEMS, INC. have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

C. Income Tax Status

COMMUNITY INDEPENDENT LIVING SYSTEMS, INC. operates as a for-profit corporation, therefore, it must pay federal and state income taxes on any profits realized by the organization. The provision for income tax expense for the period ended June 30, 2003 was \$18,347. The deferred tax liability at June 30, 2003 was \$3,121 for current period and \$ 385 for future years. These amounts represent future tax liabilities to the organization caused by timing differences between income and expenses reported for tax purposes and income and expenses reported under generally accepted accounting principles. This is a reduction of \$ 20,259 in the deferred tax liability account from the prior year.

D. Investments

CILS classifies its Investments as marketable securities "available for sale". These are carried in the financial statements at fair value. Realized gains and losses, determined using the first-in, first-out (FIFO) method, are included in earnings; unrealized holding gains and losses are reported in other comprehensive income. Other investments included are asset backed securities, limited partnerships, and cash.

Investments at fair value:

Equities	\$ 164,374
Asset Backed Securities	54,857
Mutual Funds	196,890
Limited Partnerships	18,770
Cash Balance	<u>40,159</u>
Total	\$ 475,050
Investment Income	
Interest and dividends	\$ 6,041
Realized gains and losses on sale of securities	\$ (27,019)
Net appreciation in fair value of investments	\$ 50,967

E. Accounts receivable

Accounts receivable represent amounts due from the Louisiana Department of Social Services for services rendered by COMMUNITY INDEPENDENT LIVING SYSTEMS, INC. under fee for service contracts and cost-reimbursement contracts.

F. Accounts receivable - other

Accounts receivable other represents amounts due from a former employee of COMMUNITY INDEPENDENT LIVING SYSTEMS, INC.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2- CONCENTRATIONS OF CREDIT RISK

CILS maintains its cash balances in one financial institution in Baton Rouge, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$ 100,000. As of June 30, 2003, CILS 's uninsured balances were \$ 19,846.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment, related service lives, and accumulated depreciation at June 30, 2003, are as follows:

	<u>Estimated Service Lives</u>	
Furniture and equipment	5-8 yrs	\$ 47,249
Vehicles	5 yrs	<u>40,254</u>
Total		87,503
Less: accumulated depreciation		<u>(38,556)</u>
Total Property and equipment		<u>\$ 48,947</u>

Depreciation expense was \$3,915 for the year ended June 30, 2003.

NOTE 4 - ECONOMIC DEPENDENCY

During the year ended June 30, 2003, the company received a significant portion of its revenues through the State of Louisiana. The amounts applicable to the year ended June 30, 2003 are as follows:

Receivable, beginning of year	\$ 77,828
Revenues earned and invoiced	917,103
Collections	<u>(917,873)</u>
Receivable, end of year	<u>\$77,058</u>

NOTE 5 - BOARD OF DIRECTORS

COMMUNITY INDEPENDENT LIVING SYSTEMS, INC. 's board of directors consists of two (2) members. One of the current board members is also a full-time employee of COMMUNITY INDEPENDENT LIVING SYSTEMS, INC.

NOTE 6 – OPERATING LEASES

COMMUNITY INDEPENDENT LIVING SYSTEMS, INC. had no operating leases with remaining noncancellable lease terms in excess of one year as of June 30, 2003.

NOTE 8- CASH FLOW INFORMATION

COMMUNITY INDEPENDENT LIVING SYSTEMS, INC. considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Cash paid for income taxes for 2003 was as follows:

Income taxes	\$ 13,260
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**Community Independent Living Systems, Inc.
(CILS)**

**Independent Accountant's Report
on Applying Agreed-Upon Procedures**

To the Board of Directors

Community Independent Living Systems, Inc.

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of CILS, the Legislative Auditor, State of Louisiana, and applicable state grantor agency solely to assist the users in evaluating management's assertions about CILS's compliance with certain laws and regulations during July 1, 2002-June 30, 2003, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Federal, State, and Local Awards

1. Determine the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

CILS's Federal award expenditures for all Federal programs for the fiscal year follow:

Federal Grant Name	Grant Year	CFDA No.	Amount
<u>Find Work Program</u>	7/1/02-6/30/03	93.561	\$ 268,280
Total Expenditures			\$ 268,280

2. For each Federal, state, and local award, I randomly selected 6 disbursements from each award administered during the period under examination.
3. For the items selected in procedure 2, I traced the six disbursements to supporting documentation as to proper amount and payee.

I examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

4. For the items selected in procedure 2, I determined if the six disbursements were properly coded to the correct general ledger account.

I traced the payments to the general ledger and determined that the correct account was coded.

5. For the items selected in procedure 2, I determined whether the six disbursements received approval from proper authorities.

I examined support documentation for the 6 disbursements and determined that the disbursements received approval from the proper authorities.

6. For the items selected in procedure 2: For federal awards, I determined whether the disbursements complied with the applicable specific program compliance requirements contained in the grant agreement, relating to:

Activities allowed or unallowed:

I reviewed the previously listed disbursements for types of services allowed or not allowed and determined that the disbursements were in compliance with the grant agreement.

Comprehensive Budget

7. For all grants exceeding five thousand dollars, I determined that each applicable federal, state, or local grantor agency/agency was provided with a comprehensive budget of those grants that included the purpose and duration.

I examined the comprehensive budgets prepared by CILS, which were submitted, to the Department of Social Services, which serves as a basis of reimbursement to CILS.

Curtis Michael Johnston, CPA

December 23, 2003

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Entities)
December 15, 2003

Curtis Michael Johnston, CPA
2491 Oak Manor Court
Baton Rouge, LA 70810

In connection with your compilation of our financial statements as of June 30, 2003 and for the period then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of December 15, 2003.

Federal, State, and Local Awards

We have detailed for you the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

Yes [☒] No []

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes [☒] No []

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes [☒] No []

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes [☒] No []

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

N/A Yes [] No []

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes [☒] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance which may occur up to the date of your report.

<u>Sally A. Meyers</u>	Secretary	<u>12-22-03</u>	Date
	Treasurer		Date
<u>Melinda M. Friel</u>	President	<u>12-22-03</u>	Date